MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BAC2674 – TAXATION 1

(All Sections / Groups)

11 FEBRUARY 2023
2:30 p.m. – 5:30 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 11 pages excluding the cover page with **FIVE** (5) Questions only.

2. Attempt **ALL** questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) An old friend meets you for an advice. Below are some of the situations, where he seeks for your explanation:

i. He owns medium manufacturing company with annual revenue of RM734,000 in year 2022. Half of the revenue was earned from goods exported to Thailand, Brunei and Singapore.

ii. He withdrew business stock worth of RM2,310 for own use and donated another RM3,698 goods to National Heart Foundation, an approved institution. Both transactions were recorded as expense of the business.

iii. He owns two apartments in Tamarind Square, Cyberjaya, Selangor. He rented out both apartments to expatriates from India. He received in total of RM36,000 a year from the tenants. He also received refundable deposits of RM5,000 per apartment when tenants sign the house rental agreement.

Required:

Assess the tax implications of the income earned from the above situations. Justify your answer.

(9 marks)

b) Park Sim, Korea citizen was employed as an architect by Mentari Development Sdn Bhd for the development of a high-rise building in Kuala Lumpur. Following are the details on the periods of stay of Park Sim:

Period	Location	Remarks
1.1.2016 - 1.4.2016	In Malaysia	
2.4.2016 – 8.4.2016	In Singapore	Seminar
9.4.2016 – 28.11.2016	In Malaysia	
29.11.2016 – 31.12.2016	In Germany	Vacation
1.1.2017 – 15.1.2017	In Germany	Vacation
16.1.2017 – 30.6.2017	In Malaysia	
1.7.2017 – 31.7.2017	In Japan	Vacation
1.8.2017 – 25.8.2017	In Indonesia	Business trip
26.8.2017 – 31.12.2017	In Korea	Social visit
1.1.2018 – 31.12.2018	In Korea	Social visit
1.1.2019 – 25.1.2019	In Korea	Social visit
26.1.2019 – 31.5.2019	In Malaysia	

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1.6.2019 – 16.6.2019	In Vietnam	Vacation
17.6.2019 – 23.7.2019	In Malaysia	
24.7.2019 – 15.12.2019	In Singapore	Business project
16.12.2019 – 31.12.2019	In Malaysia	
1.1.2020 – 14.4.2020	In Malaysia	
15.4.2020 - 31.10.2020	In Korea	Vacation
1.11.2020 – 31.12.2020	In Malaysia	
1.1.2021 – 31.12.2021	In Malaysia	

Required:

For Malaysian income tax purposes, assess Park Sim's tax residence status for each of the relevant years of assessment. Explain the basis for your determination and quote the relevant provisions of the Income Tax Act 1967 (as amended).

(11 marks)
[Total: 20 marks]

QUESTION 2

SambalPremium® Mak Ngah (SPMN) is solely owned by Chef Fatin located in Kelantan since 2009. The business produces high-quality chili products which are ready-to-eat sambal. Some of the high-demand products are SambalPremium Penyet, SambalPremium Tempoyak and SambalPremium Bilis.

Following is the statement of profit or loss of SPMN for the financial year ended 31 December 2022:

SambalPremium® Mak Ngah
Statement of Profit or Loss
for the year ended 31 December 2022

	Note	RM	RM
Sales			1,400,000
Less: Cost of sales	1		700,000
Gross profit			700,000
Add: Other income	2		253,000
Less: Expenses			
Sales and distribution costs	3	122,200	
Administrative expenses	4	543,000	
Other expenses	5	90,000	755,200
Profit before tax			197,800

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Notes:

1. Cost of sales
   Included in the cost of sales was a provision of stock obsolesces amounted to RM7,200.

2. Other income
   SPMN received other income from the following activities:

   a) Dividend from investment in Amanah Saham Malaysia amounted to RM82,000.
   b) Interest received from investment of fixed deposit in Singapore amounted to RM75,000.
   c) RM96,000 amount received from insurance recovery for loss of stock due to employee's theft.

3. Sales and distribution costs
   Included in the sales and distribution costs were:

   a) Entertainment allowance provided to employees amounted to RM5,000.
   b) Pickup truck of RM10,000 used to transport goods and items for exhibition on local and international trade fair approved by Ministry of International Trade (MITI).
   c) Provision for doubtful debts on receivables amounted to RM4,900. 25% of the provision was specific provisions.

4. Administrative expenses
   Included in the administrative expenses were:

   a) Depreciation of plant and equipment amounted to RM25,000.
   b) RM110,000 was for the employee's salary including RM20,000 for senior employee, aged 62 years old.
   c) Contribution to the Employees' Provident Fund (EPF) amounting to RM14,300.
   d) Tax filing fees amounting to RM2,200.
   e) Cost incurred to developed business's website which is electronic commerce enabled amounted to RM8,000.

5. Other expenses
   Included in the other expenses were:

   a) Cash donations of RM40,000 were given to an approved charitable institution.
   b) Contributed RM15,000 to a community project to clean, repair and improve public facilities due to flood.
   c) Allowances provided to practical students under Structured internship programme (SIP) amounted to RM6,300.

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d) Payment of RM20,000 for the renewal of trademark registration.

Additional information:

1. The unabsorbed capital allowance for the year of assessment 2021 was RM7,000.
2. The capital allowance for the year of assessment 2022 was RM25,000.
3. The business had an unabsorbed business loss brought forward from 2021 amounting to RM3,500.

Required:

Compute the total income of Chef Fatin for the year of assessment 2022.

Note: Start your computation with profit before taxation figure. Indicate 'NIL' in the appropriate column for item that does not require adjustment.

[Total: 20 marks]

QUESTION 3

Ts. Prasad is a Malaysian citizen and tax resident. On 1.1.2022, he accepted job offer as an IT specialist for HDL Tech Malaysia Berhad, an IT solution provider in Cyberjaya, Selangor. Due to the nature of his work, the company allows him to work from home two days in a week.

For the year ended 31.12.2022, the followings are the employment remuneration benefits:

- Total gross salary for the year of RM132,000, of which 11% are contributed to Employee Provident Fund (EPF).
- Bonus: One months' salary received on 30 December 2022.
- Employer's contribution to EPF of RM24,310.
- Travelling allowance for official duties of RM6,000 per annum.
- A new Proton X50 costing RM85,000 but without fuel benefits. The car was used equally for official duty and private activities.
- Local leave passage to Langkawi Island, Kedah and Cherating, Terengganu for RM1,238 and RM759 respectively.
- A fully furnished apartment for the whole year for which the company paid RM2,000 per month, made up of rental at RM1,500 and RM500 for the furnishing.

Beside the above, he is also provided with medical benefits. In November 2022, he received traditional medical treatment at a private hospital. The treatment cost of RM1,648 was paid by his employer.

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For the year 2022, Ts. Prasad paid RM200 as annual subscription of professional membership with the Technological Association of Malaysia. He contributed to Social Security Organization Scheme (SOCSO) of RM234 per annum.

Ts. Prasad is married. His wife Mrs. Kamala is a full-time house wife. The couple has two children. The first child, Ishaan is 26 years old and currently working as an engineer with local construction firm. The second child, Shyla is 24 years old and married to a government officer.

Ts. Prasad takes a medical insurance for his family and paid a total premium of RM2,500 a year. During the year, he purchased newspaper, books and magazine in total of RM800. He also made a cash donation of RM1,700 to a local approved charitable institution.

Required:

Compute the income tax payable by Ts. Prasad after considering all taxable income and reliefs available under the Income Tax Act 1967 (as amended) for the year of assessment 2022.

Note: Please indicate by the use of the word 'nil' for any item referred to in the question for which no adjusting entry needs to be made in the tax computation. Round up all figures to the nearest RM.

[Total:20 marks]

QUESTION 4

On 1 January 2022, Suzana received letter of termination from her employer. At the end of the month, she received RM100,000 as a compensation for loss of employment. She was 55 years old and had served the company for a complete of 10 years when she left the company. She signed an agreement with the employer that she would not carry on any business that is in competition with employer's business for a period of 5 years. She was paid of RM35,000 for such agreement.

On 1 April 2022, Suzana commences her own business, Suzana & Co. Letchmy is her business partner. Both of them have agreed to share the profit and loss equally. The business closes its accounts on 31 December annually. Each partner contributed RM50,000 of capital into the partnership.

Both Suzana and Letchmy have received the following benefits from the business in year 2022:

- Salary of RM2,000 per month.
- Allowance per month for Suzana and Letchmy of RM500 and RM600 respectively.
- Interest on capital of 5% per annum.

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During the year, the business paid private expenses for Suzana and Letchmy amounting to RM1,900 and RM2,000 respectively.

Besides the above information, the partnership for the year of assessment 2022 also provided the following information:

- The provisional adjusted income for the year ended 31 December 2022 of RM62,900.
- The capital allowance on the partnership's assets of RM28,000.

Required:

a) Assess the tax implication on the compensation for loss of employment, RM100,000 and restrictive covenant, RM35,000 received by Suzana.

(5 marks)

b) Compute divisible income and statutory income for the year of assessment 2022 of Suzana and Letchmy under the Income Tax Act 1967 (amended).

(15 marks)
[Total: 20 marks]

QUESTION 5

Premium Wood Sdn Bhd (PWSB) is a business specializing in the ergonomics and modern office furniture. The business prepares its account for 31 December annually. PWSB incurred the following expenditure for the purpose of its business:

1) Due to the high demand for office furniture, PWSB decided for a new factory. The construction started on 1 May 2020 and completed on 15 February 2021. The building was immediately put into use for the production of office furniture. The details of the expenditure incurred were as follows:

Date	Expenditure	RM
1.5.2020	Cost of land	120,000
2.5.2020	Legal fee for land acquisition	5,200
4.5. 2020	Stamp duty for land acquisition	1,100
10.5.2020	Clearing of land	10,000
17.5.2020	Architect's fee	18,000
1.6.2020	Construction building cost	610,000
10.11.2020	Drainage and irrigation	52,000
21.11.2020	Cost of internal road	48,000
4.1.2021	Electrical wiring	30,000
20.1.2021	Wood cutting machine (general)	60,000

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2) On 1 January 2021 the extension of the building had been constructed for the purpose of accommodation for employees engaged in a factory manufacturing process. The cost for the extension of accommodation was RM 215,000.

3) In July 2021, PWSB purchased a new commercial vehicle for business purposes on hire purchase under the following terms:

Cost	RM 402,000
Deposit	RM 44,000
Hire purchase loan	RM 358,000

There were 48-month instalments commencing from August 2021.

Required:

Compute all the relevant allowances for Premium Wood Sdn Bhd for the year of assessment 2021. Round up your answers to the nearest Ringgit Malaysia (RM).

[Total: 20 marks]

End of question

APPENDIX

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

- **Income tax rates for resident individuals for the Year of Assessment (YA) 2021 onwards**

Chargeable Income	Calculations (RM)	Rate %	Tax (RM)
0 - 5,000	On the First 5,000	0	0
5,001 - 20,000	On the First 5,000		0
	Next 15,000	1	150
20,001 - 35,000	On the First 20,000		150
	Next 15,000	3	450
35,001 - 50,000	On the First 35,000		600
	Next 15,000	8	1,200
50,001 - 70,000	On the First 50,000		1,800
	Next 20,000	13	2,600
70,001 - 100,000	On the First 70,000		4,400
	Next 30,000	21	6,300
100,001 - 250,000	On the First 100,000		10,700
	Next 150,000	24	36,000
250,001 - 400,000	On the First 250,000		46,700
	Next 150,000	24.5	36,750
400,001 - 600,000	On the First 400,000		83,450
	Next 200,000	25	50,000
600,001 - 1,000,000	On the First 600,000		133,450
	Next 400,000	26	104,000
1,000,001 - 2,000,000	On the First 1,000,000		237,450
	Next 1,000,000	28	280,000
Exceeding 2,000,000	On the First 2,000,000		517,450
	Next ringgit	30	.....

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- **Reliefs for the year of assessment (YA) 2022.**

	RM
Personal relief	9,000
Disabled taxpayer (additional relief)	6,000
Spouse relief	4,000
Disabled spouse relief (additional relief)	5,000
Medical expenses for parents	8,000
1. Medical expenses for serious diseases 2. Medical expenses for fertility treatment for self or spouse 3. Vaccination expenses for self, spouse and child. (Restricted to RM1,000) 4. (i) Complete medical examination for self, spouse, child as defined by the Malaysian Medical Council (MMC). (ii) COVID-19 detection test including purchase of self-detection test kit for self, spouse, child. (Restricted to RM1,000)	8,000
Basic supporting equipment for disabled taxpayer, spouse, children, or parents	6,000
Child relief (below 18 years old) - Each - Disabled	 2,000 6,000
Child relief (over 18 years old and studying in higher learning institutions) - Each - Disabled	 8,000 14,000
Amount deposited into SSPN for child	8,000
Takaful or Life insurance premium	3,000
EPF contributions	4,000
Premium on deferred annuity contract and private retirement scheme	3,000
Premium on medical/education insurance	3,000
Employee's contribution to SOCSO scheme	350
Education fees paid by taxpayer for his own self-improvement	7,000
Lifestyle expenses	2,500
Additional lifestyle- purchase of personal computer, smartphone or tablet for self, spouse or child	2,500
Breastfeeding equipment	1,000
Fees paid to childcare centre and kindergarten for a child aged 6 years and below	3,000
Qualifying domestic travel expenses	1,000
Tax relief for electronic vehicle	2,500

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- **Rebates**

Rebates	RM
Chargeable income not exceeding RM35,000	
Individual	400
Additional relief when wife/husband relief is claimed	400

- **Benefits-in-kind (BIK) scale rates as per Inland Revenue Board (IRB) guidelines**

Cost of car when new	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of the fuel provided remains unchanged. Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

- **Other benefits**

Household furnishings, apparatus & appliances

- Semi-furnished with furniture in the lounge, dining room, or bedrooms - RM70 per month

- Semi-furnished with furniture as above and one or more of the following: Air-conditioners, curtains, carpets - RM140 per month

- Fully furnished premises - RM280 per month

Domestic servant - RM400 per month

Gardener - RM300 per month

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- **Capital Allowances and Industrial Building Allowances**

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
Plant and machinery (general)	20	14
Office equipment, furniture and fittings	20	10
Accelerated capital allowance (ACA) for machinery, equipment and communication technology equipment incurred between 1.3.2020 and 31.12.2021	20	40
Computer, information technology equipment & computer software	20	40
Industrial building	10	3
Living accommodation for employees constructed building (pre- requisite: an IB exist)	40	3
Warehouse used for storage of goods for export	-	10

End of paper.